

February 6, 2007

AO DRAFT COMMENT PROCEDURES

The Commission permits the submission of written public comments on draft advisory opinions when on the agenda for a Commission meeting.

DRAFT ADVISORY OPINION 2006-34 is available for public comments under this procedure. It was requested by, Joseph E. Sandler, Esq. and Frederick K. Lowell, Esq., on behalf of Working Assets, Inc.

Draft Advisory Opinion 2006-34 is scheduled to be on the Commission's agenda for its public meeting of Thursday, February 8, 2007.

Please note the following requirements for submitting comments:

1) Comments must be submitted in writing to the Commission Secretary with a duplicate copy to the Office of General Counsel. Comments in legible and complete form may be submitted by fax machine to the Secretary at (202) 208-3333 and to OGC at (202) 219-3923.

2) The deadline for the submission of comments is 12:00 noon (Eastern Time) on February 7, 2007.

3) No comments will be accepted or considered if received after the deadline. Late comments will be rejected and returned to the commenter. Requests to extend the comment period are discouraged and unwelcome. An extension request will be considered only if received before the comment deadline and then only on a case-by-case basis in special circumstances.

4) All timely received comments will be distributed to the Commission and the Office of General Counsel. They will also be made available to the public at the Commission's Public Records Office.

CONTACTS

Press inquiries: Robert Biersack (202) 694-1220

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Other inquiries:

To obtain copies of documents related to AO 2006-34, contact the Public Records Office at (202) 694-1120 or (800) 424-9530.

For questions about comment submission procedures, contact Rosemary C. Smith, Associate General Counsel, at (202) 694-1650.

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February 6, 2007

MEMORANDUM

AGENDA ITEM

For Meeting of: 02-08-07

TO: The Commission

FROM: James A. Kahl *JAK*
Deputy General Counsel

Rosemary C. Smith *RCS*
Associate General Counsel

Amy L. Rothstein *AR*
Acting Assistant General Counsel

Jonathan M. Levin *JL*
Senior Attorney

Subject: Draft AO 2006-34

SUBMITTED LATE

Attached is a proposed draft of the subject advisory opinion. We request that this draft be placed on the agenda for February 8, 2007.

Attachment

2
3 **Joseph E. Sandler, Esquire**
4 **Neil P. Reiff, Esquire**
5 **Sandler, Reiff & Young PC**
6 **50 E Street, S.E. #300**
7 **Washington, D.C. 20003**

Frederick K. Lowell, Esquire
Kathryn E. Donovan, Esquire
Pillsbury Winthrop Shaw Pittman LLP
400 Capitol Mall, Suite 1700
Sacramento, CA 95814-4419

8
9 **Dear Messrs. Sandler and Lowell:**

10 **We are responding to your advisory opinion request on behalf of Working Assets, Inc.**
11 **("Working Assets"), concerning the application of the Federal Election Campaign Act of 1971,**
12 **as amended (the "Act"), and Commission regulations to a proposed program in which political**
13 **committees would serve as sponsors of wireless telephone service provided by Working Assets**
14 **to individual customers. Specifically, you ask whether the proposed arrangements between**
15 **Working Assets and the sponsoring political committees would result in impermissible corporate**
16 **contributions by Working Assets to the political committees.**

17 **The Commission concludes that the arrangements would not result in impermissible**
18 **corporate contributions, so long as Working Assets and the political committees comply with the**
19 **conditions described below.**

20 ***Background***

21
22 **The facts presented in this advisory opinion are based on your letters received on**
23 **October 6, October 30, and November 15, 2006.**

24 ***a. Current Programs***

25 **Working Assets is a closely held for-profit corporation specializing in donation-linked**
26 **telecommunications and credit card services. During its more than 20 years of existence, it has**
27 **contracted with various non-profit organizations to provide to those organizations a portion of**
28 **the billed amounts paid by Working Assets' customers. Under some of these "affinity"**

1 programs, ten cents of each of a credit cardholder's purchases and one percent of each long
2 distance or wireless phone customer's charges were donated to a fixed pool of non-profit
3 organizations (along with the customer's optional donation of a "round-up" of the monthly bill
4 payment). Working Assets has also established affinity programs specific to particular non-
5 profit organization "partners," in which one percent of the long-distance charges of a customer
6 associated with a given non-profit partner was donated to that partner.

7 In addition, Working Assets recently entered into affinity sponsor programs with two
8 large non-profit, section 501(c)(3) organizations to market wireless service to their members and
9 supporters. Working Assets donates ten percent of each customer's monthly charges to his or
10 her organization. Working Assets is currently negotiating with several other large section
11 501(c)(3) and (c)(4) organizations for their participation, and this program is available to any
12 section 501(c)(3) or (c)(4) organization that meets Working Assets' criteria for commercial
13 viability. You state that this non-profit affinity program represents a "major component of
14 [Working Assets'] growth strategy," and that two senior level positions in Working Assets'
15 management are dedicated exclusively to managing and marketing non-profit affinity
16 partnerships. Working Assets projects that affinity programs with the ten percent donation
17 feature will account for 29 percent of its wireless revenue by the end of 2007.

18 In 1991, Working Assets also created a "Citizen Action" program to provide its long-
19 distance and wireless customers with an opportunity to communicate their views on legislative
20 and public policy issues to elected and appointed officials. Each customer's monthly bill
21 contains "alerts" urging the customer to take action on specific issues and identifying officials to
22 contact. The customer can call the identified officials free of charge on the customer's regular or

1 wireless phone or can have Working Assets send a letter to the official for a fee paid by the
2 customer.

3 *b. The Proposed Program*

4 Working Assets proposes to expand its affinity relationships to Federal political
5 committees and to qualified non-profit corporations ("QNCs") as described in 11 CFR 114.10.
6 The proposed affinity program would be made available to any political party committee, non-
7 connected political committee, or QNC that asks to participate, without regard to party affiliation
8 or ideological orientation, "but subject to each particular program's commercial viability
9 determined by common commercial principles," including, for example, size of membership and
10 hence number of potential customers, potential for long-term customer commitment, strength of
11 trademark, and credit rating of membership.¹ (Political committees and QNCs that would partner
12 with Working Assets are hereinafter referred to as "political committee sponsors" or "committee
13 sponsors.") You state that information about the political affinity program would be made
14 available on the Working Assets website, which is publicly accessible, with contact information
15 enabling interested parties to approach Working Assets. As with the non-profit affinity program,
16 Working Assets would also actively approach potential political committee sponsors.

17 *i. The Political Committee Sponsor Program*

18 Under the political committee sponsor program, each committee sponsor would allow
19 Working Assets to use the committee sponsor's name, trademark, and supporter list in marketing
20 Working Assets' mobile phones and wireless services to the committee sponsor's individual
21 members and supporters. Working Assets would pay the costs of this marketing, which would
22 include direct mail and/or on-line communications that contain messages from the political

¹ The program will not be made available to separate segregated funds or authorized committees of candidates.

1 committee sponsor soliciting support. The messages might refer to past elections or electoral
2 results, but would not refer to current or future elections or current Federal candidates.

3 Individual customers who purchase the phones and wireless services from Working
4 Assets would be offered an automatic rebate of ten percent of their monthly charges. At the time
5 of enrollment, customers would be given the option either (1) to receive the rebate in the form of
6 a credit on the customer's next bill, or (2) to direct the rebate amount as a contribution to the
7 political committee sponsor. Customers would be able to change their rebate designations at any
8 time by contacting customer service. In addition, customers would receive annual notices in
9 their bills allowing them to affirm or change their rebate designations. Regardless of which
10 option a customer chooses, the customer would also be able to contribute to the political
11 committee sponsor by "rounding up" monthly charges and specifying the rounded up amount as
12 a contribution. When the customer authorizes the forwarding of rebates as contributions, the
13 customer would provide his or her name, address, occupation, and employer name to Working
14 Assets, which Working Assets would forward to the political committee sponsor.

15 You state that the donation form in the bill would include all the required "disclaimer"
16 language in connection with the solicitation of contributions (*see* 2 U.S.C. 441d and 11 CFR
17 110.11) and would describe the source prohibitions and amount limitations on contributions.
18 The form would require contributors to provide their name, address, occupation, and employer's
19 name. Working Assets would transmit this information to the political committee sponsor "in
20 time to meet the Sponsor's recordkeeping and reporting requirements" under the Act and
21 Commission regulations.

22 All rebates directed to the political committee sponsor would be credited to the sponsor's
23 depository account through an automated clearinghouse transaction within 24 hours after

1 Working Assets receives payment of the customer's bill. All contributions received as a result of
2 a round-up would be forwarded to the political committee within 24 hours of Working Assets'
3 receipt.

4 Political committee sponsors may also insert and pay for issue advocacy "Citizen Action"
5 alerts in the customers' bills. As with the current Citizen Action programs, customers could call
6 the identified decisionmakers without paying a charge, or could pay Working Assets to send a
7 letter to the decisionmaker. The bills may also include advertising space for content created, and
8 paid for, by the political committee sponsor. The advertising space would include the committee
9 sponsor's disclaimer as required by 2 U.S.C. 441d and 11 CFR 110.11.

10 *ii. Financing*

11 Each political committee sponsor would allow Working Assets to use the committee
12 sponsor's supporter list in exchange for the costs incurred by Working Assets in soliciting
13 individuals on the list to enroll in the committee sponsor program. You state that the list, in all
14 cases, (1) will have been developed by the committee sponsor in the normal course of its
15 operations primarily for its own use, rather than for sale to, or lease by, others, and (2) will have
16 an ascertainable fair market rental value.

17 You acknowledge that the full cost of the marketing effort will exceed the fair market
18 rental value of the list, but assert that because the marketing services will benefit both Working
19 Assets and the political committee sponsor, only a portion of the marketing costs should be
20 attributable to the committee sponsor. Working Assets proposes to allocate these costs on the
21 basis of the division of the wireless charges. Specifically, because each individual customer
22 would get a ten percent rebate which could be contributed to the committee sponsor, and
23 Working Assets would retain 90 percent of the proceeds, Working Assets would allocate the

1 marketing costs on a ten percent (committee sponsor)/90 percent (Working Assets) basis.
2 Working Assets would rely primarily on direct mail to to communication with prospective
3 customers but would use a less expensive method of communication to ensure that ten percent of
4 the solicitation costs does not exceed the fair market list rental value. If Working Assets uses a
5 committee sponsor's list multiple times, the fair market list rental value of the multiple uses
6 would equal or exceed ten percent of the marketing costs. Additional marketing of the program
7 may be accomplished through the political committee sponsor's already existing means of
8 communication with its supporters, at no cost to Working Assets.

9 In addition, the political committee sponsor would pay Working Assets for any costs
10 incurred by Working Assets to process the rebates and rounded-up contributions directed to the
11 committee sponsor and to transmit the contributions and contributor information to the
12 committee sponsor. The committee sponsor would also pay for any space in the bills that it uses
13 for advertisements or Citizen Action Alerts, and all expenses related to the customers' calls to
14 decisionmakers. The individual customers would pay for their Citizen Action letters to
15 decisionmakers.

16 ***Question Presented***

17 *Would Working Assets' proposed political committee sponsor program result in*
18 *impermissible corporate contributions by Working Assets to the political committee sponsors?*

19 ***Legal Analysis and Conclusions***

20 No, the arrangements would not result in impermissible corporate contributions, so long
21 as Working Assets complies with the conditions set out below.

22 The Act and Commission regulations specifically prohibit corporations from making a
23 contribution in connection with a Federal election. See 2 U.S.C. 441b(a); 11 CFR 114.2(b)(1).

1 A "contribution" includes "any gift, subscription, loan, advance, or deposit of money or anything
2 of value made by any person for the purpose of influencing any election for Federal office." 2
3 U.S.C. 431(8)(A)(i) and 11 CFR 100.52(a); *see also* 2 U.S.C. 441b(b)(2) and 11 CFR
4 114.2(b)(1). "Anything of value" includes all in-kind contributions, including the provision of
5 goods or services without charge or at a charge that is less than the usual and normal charge. *See*
6 11 CFR 100.52(d)(1). "Usual and normal charge" is defined as the price of goods in the market
7 from which they ordinarily would have been purchased at the time of the contribution, or the
8 commercially reasonable rate prevailing at the time the services were rendered. *See* 11 CFR
9 100.52(d)(2).

10 In previous advisory opinions, the Commission has examined various affinity programs
11 and similar programs involving political committees and providers of credit card or telephone
12 services. *See* Advisory Opinions 2003-16 (Providian National Bank), 2002-07 (Careau & Co.),
13 1995-34 (Politechs), 1994-33 (VITEL International), 1992-40 (Leading Edge Communications),
14 1991-20 (Call Interactive), 1990-1 (Digital Corrections), 1988-12 (Empire of America Federal
15 Savings Bank), and 1979-17 (RNC). In these advisory opinions, the Commission permitted each
16 of the corporations to offer an affinity or similar program so long as the corporation and the
17 political committee (1) enter into a commercially reasonable transaction in which the political
18 committee pays the usual and normal charge for any services provided or such services are
19 provided in exchange for bargained for consideration of equal value, such as the use of a
20 committee's mailing list (*see, e.g.,* Advisory Opinions 2003-16, 2002-07, and 1995-34); and (2)
21 the amounts contributed to the political committee are from the individual customer's funds and
22 not from the corporation's funds. *See, e.g.,* Advisory Opinions 2003-16 and 1994-33.

1 ***a. Usual and Normal Charge***

2 In determining whether Working Assets' proposed program would be commercially
3 reasonable, the Commission must consider whether the political committee sponsors would
4 provide sufficient compensation, *i.e.*, the usual and normal charge, including a reasonable profit,
5 to Working Assets for the services that Working Assets would provide to them. See Advisory
6 Opinions 2004-19 (DollarVote), 2002-07 and 1994-33; *see also* Advisory Opinion 2003-16. The
7 Commission assumes that the commercial viability of Working Assets' relationship with each
8 committee sponsor would stand or fall on its own, based on your statement that the availability
9 of the political affinity program to any given political committee would be subject to "each
10 particular program's commercial viability determined by common commercial principles."
11 Thus, Working Assets would not depend on profitability from its relationships with other clients
12 to sustain the arrangement with a particular committee sponsor.

13 ***i. The Political Committee Sponsor Program***

14 Working Assets proposes to pay the costs of marketing its mobile phones and wireless
15 services to political committee sponsors' members and supporters. The marketing would include
16 direct mail and/or on-line communications with messages from the political committee sponsor
17 soliciting support. Working Assets proposes to provide solicitation services in exchange for the
18 use of the political committee sponsor's mailing list.

19 The sale or rental of a political committee's mailing list is permissible under certain
20 conditions, if the mailing list has an ascertainable market value and will be used in a

21

1 commercially reasonable manner consistent with a *bona fide* arm's length transaction.² See
2 Advisory Opinion 2003-16. You state that each political committee sponsor's mailing list would
3 have an ascertainable market value. If, however, the value of the solicitation services provided
4 by Working Assets to a political committee sponsor exceeds the usual and normal rental charge
5 for the committee sponsor's mailing list, then Working Assets would be making a contribution to
6 the committee sponsor. See 11 CFR 100.52(d).

7 The marketing services to be provided by Working Assets would differ from solicitation
8 services usually provided by commercial vendors to political committees. Typically, political
9 committees hire commercial vendors to help them raise funds by, for example, mailing requests
10 for contributions to the political committees to potential contributors, along with postage paid
11 return envelopes in which to send checks made out to the political committee. In some cases, a
12 commercial vendor may be hired by or help a political committee to raise funds by selling
13 products or services on behalf of the political committee, such as T-shirts or 900-line services in
14 which the entire amount of the caller's payment is a contribution to the political committee. See,
15 e.g., Advisory Opinions 1995-34 and 1989-21 (Create-A-Craft); see also 11 CFR 100.53. In
16 such cases, the purpose of the communication is to raise funds for the political committee, and
17 any money raised will go to the political committee (in some cases, after the commercial vendor
18 deducts its fees). Accordingly, the fair market value of the solicitations must be paid by the
19 political committee.

² In addition, the mailing list must have been developed by the political committee over a period of time in the normal course of its operations primarily for its own political or campaign use, rather than for sale or lease to others, and rental of the list must be only a small percentage of the committee's overall use of the list. See Advisory Opinions 2003-19 (Democratic Congressional Campaign Committee) and 2002-14 (Libertarian National Committee). You indicate that the committee sponsors' mailing lists would satisfy these criteria.

1 By contrast, Working Assets' communications with potential customers would serve two
2 distinct purposes. The primary purpose of the solicitations would be to generate customers for
3 Working Assets from the names on the political committee sponsor's mailing list. The
4 secondary purpose would be to generate contributions for the political committee sponsor. The
5 fulfillment of the secondary purpose is also contingent in nature, because a solicitation could not
6 result in a contribution to a political committee sponsor unless and until a potential customer
7 subscribed to Working Assets' wireless services and then opted either to round up a bill payment
8 or to instruct Working Assets to direct the customer's ten percent billing rebate to the political
9 committee sponsor.

10 Under these circumstances, it would be inequitable to require a political committee
11 sponsor to pay the full value of Working Assets' marketing services. Working Assets proposes
12 to value its solicitation services to a political committee sponsor at ten percent of Working
13 Assets' marketing costs. Assuming that this ten percent figure is the product of arms-length
14 negotiations between Working Assets and the political committee sponsor and reflects the fair
15 market value of the goods and services being provided, the Commission concludes, under the
16 facts presented, that it would represent the usual and normal charge. If that is the case, then the
17 provision of solicitation services by Working Assets in exchange for use of the political
18 committee sponsor's mailing list would not be a contribution to the political committee sponsor.

19 *ii. Working Assets' Other Services*

20
21 Under your proposal, the political committee sponsor would pay Working Assets directly
22 for expenses related to processing and transmitting contributions and contributor information;
23 expenses related to Citizen Action Alerts from the sponsor and related phone calls by individuals
24 to decisionmakers at the sponsor's behest; and advertising space in bills sent to the customers.

1 As part of a commercial arrangement for the types of services that Working Assets already
2 provides in its ordinary course of business to non-profit committee sponsors, the sponsor need
3 not pay in advance for these services, but must pay the usual and normal charge within a
4 commercially reasonable period of time in the ordinary course of business. *See* 11 CFR
5 100.52(d) and 116.3(b), (c), and (d).

6 The Commission therefore concludes that Working Assets would act as a commercial
7 vendor in providing solicitation services in exchange for the political committee sponsor's
8 membership and supporter list, and other services in exchange for payment by the sponsor, and
9 thus would not make or facilitate a corporate contribution to the political committee sponsor.
10 *See* 11 CFR 114.2(b), (f)(1), and (f)(2)(i); *see also* Advisory Opinions 2004-19 and 2003-16.
11 This conclusion is premised on the facts, conditions, and assumptions set out above.

12 *b. Customer Contributions*

13 The Commission concludes that the provision by Working Assets of rebated and
14 rounded-up amounts to political committee sponsors would be contributions by Working Assets'
15 customers, rather than impermissible contributions by Working Assets through its customers, for
16 two reasons. *See* 2 U.S.C. 441f; 11 CFR 110.4(b). First, the rebates and round-ups would occur
17 in the ordinary course of Working Assets' business.³ Although Working Assets has not offered
18 rebates to customers in the past, its existing and developing affinity arrangements with 501(c)(3)
19 and (c)(4) organizations, under which ten percent of Working Assets' wireless charges to
20 customers affiliated with an organization are donated to that organization, result in a similar
21 reduction in the amount of customer charges kept by Working Assets. You indicate that these

³ *See* Advisory Opinions 2004-18 (Friends of Joe Lieberman) and 1985-28 (Friends of Lane Evans) (concluding that a discount or rebate to a political committee does not result in a contribution if it is made available in the ordinary course of business, and on the same terms and conditions to the company's customers that are not political committees or organizations).

1 arrangements for ten percent donations will account for 29 percent of Working Assets' wireless
2 business by the end of 2007. Working Assets' existing affinity programs also provide for the
3 donation of rounded-up amounts.

4 Second, Working Assets' customers, rather than Working Assets, would control the
5 disposition of rebates and round-ups under your proposal. See Advisory Opinion 2003-16.
6 Working Assets would forward to a political committee sponsor only rebated amounts that the
7 customer has directed Working Assets to forward to the committee sponsor, or amounts that the
8 customer has elected to pay as a round-up for the committee sponsor. Each customer would
9 direct Working Assets either to forward rebated funds to a committee sponsor or to credit them
10 to the customer's next bill, and each customer could change this direction at any time. To ensure
11 that the funds would be those of the customer and not Working Assets, Working Assets must
12 ensure that it does not retain any residual control over the rebated amounts. Thus, Working
13 Assets must refund to a customer, rather than retain, any credit earned on the final bill paid by
14 the customer upon terminating participation in the political affinity program. In addition,
15 Working Assets must not forward any contributions to a political committee sponsor until after
16 Working Assets receives and deposits the customer's bill payment. Otherwise, the contributions
17 would constitute an advance of corporate funds, prohibited by 2 U.S.C. 441b(a). See 2 U.S.C.
18 441b(b)(2); 11 CFR 114.1(a)(1).

19 *c. Collection and Transmittal of Contributions*

20 You indicate that all rebates directed by the customer to the political committee sponsor
21 would be credited to the committee sponsor's depository account through an automated
22 clearinghouse transaction within 24 hours of Working Assets' receipt of the bill payment, and
23 that contributions of rounded-up amounts would also be forwarded within 24 hours of receipt.

1 When corporate commercial vendors receive one payment that includes both amounts to be
2 forwarded to political committees and amounts sent to the corporation, the corporation must keep
3 the funds separate to avoid commingling corporate funds with contributions. See Advisory
4 Opinions 2004-19, 1999-22 (Aristotle Publishing), and 1991-20, n.5. Hence, Working Assets
5 would have to place the contributed amounts from rebates and round-ups in an account separate
6 from its other accounts, *i.e.*, a separate bank account for payments by check, or a merchant
7 account for credit card transactions, before transmitting them to the political committee sponsors,
8 rather than transmitting funds from Working Assets' usual treasury accounts. See Advisory
9 Opinions 2004-19 and 2002-07. Working Assets may establish one separate merchant account
10 and one bank account for payments by check for all political committee sponsors, so long as
11 Working Assets maintains separate records for contributions to each committee sponsor. See
12 Advisory Opinion 1999-22.

13 You indicate that the donation form would inform the customer of the contribution limits
14 and source prohibitions of the Act,⁴ and that Working Assets would obtain and forward
15 contributor information to the committee sponsor in time for the committee sponsor to meet its
16 reporting obligations. Please be advised that, under 2 U.S.C. 432(b)(2)(B) and 11 CFR
17 102.8(b)(2), Working Assets must transmit contributor information for any contribution
18 exceeding \$50 within ten days of receipt of the bill payment, along with the contribution itself,
19 even if a later transmittal of the information would enable the committee sponsor to meet its
20 reporting obligations.⁵

⁴ The Commission notes that the initial and any follow-up solicitations to prospective customers must also provide that the contributions will be subject to the Act's limitations and prohibitions. See 11 CFR 102.5(a)(2)(iii).

⁵ In addition, any contribution of \$50 or less must be forwarded to the sponsor within 30 days of Working Assets' receipt of the bill payment. See 2 U.S.C. 432(b)(2)(A); 11 CFR 102.8(b)(1). You have already indicated that each contribution would be forwarded within 24 hours of the bill payment's receipt by Working Assets.

1 **Consistent with its role as a commercial vendor collecting and passing on contributions to**
2 **a political committee, Working Assets must implement adequate screening procedures to ensure**
3 **that it is not forwarding illegal contributions, such as contributions from a corporate credit card**
4 **or bank account, or from the credit card or bank account of a person or entity other than the**
5 **customer. See Advisory Opinion 2004-19. In Advisory Opinion 2004-19, the Commission**
6 **found that the corporate requestor would implement adequate screening and verification**
7 **procedures that included requiring each customer to indicate affirmatively: that the contribution**
8 **was made from the customer's own funds and not those of others; that the payment was not from**
9 **a prohibited source, and that a payment by credit card was made from the customer's own credit**
10 **card. See also Advisory Opinions 2006-08 (Matthew Brooks) and 1999-22. Working Assets**
11 **must implement the same procedures here.**

12 ***d. Solicitations and Other Communications***

13 **You state that solicitations sent to prospective individual customers would include a**
14 **message from the committee sponsor asking for support, but would not refer to current or future**
15 **elections or current Federal candidates. This aspect of the proposal is consistent with the**
16 **solicitations to prospective customers approved by the Commission in Advisory Opinion 2003-**
17 **16. The Commission also assumes that the Citizen Action Alerts and political committee**
18 **sponsor advertising messages inserted in bills to customers would also not refer to current or**
19 **future elections or current Federal candidates, consistent with Advisory Opinion 2003-16.**

20 **The Commission notes your representations that the bills would include disclaimers**
21 **pursuant to 11 CFR 110.11. Since the political committee sponsors are not authorized**
22 **committees, the bills must contain the disclaimers required by 2 U.S.C. 441d(a)(3) and 11 CFR**
23 **110.11(b)(3). The initial and any follow-up solicitations to prospective customers must also**

1 include the disclaimer described by 2 U.S.C. 441d(a)(3) and 11 CFR 110.11(b)(3). *See also* 2
2 U.S.C. 441d(c) and 11 CFR 110.11(c)(2).

3 *e. Impact of Proposal on QNCs*

4 Unlike other corporations, QNCs may engage in political spending by making
5 independent expenditures and electioneering communications. *See* 11 CFR 114.10(d)(1) and (2).
6 Only a non-profit 501(c)(4) corporation that meets certain specified criteria will be deemed a
7 QNC. *See* 11 CFR 114.10(c)(5). These criteria include the requirement that the corporation
8 have “[n]o persons who are offered or who receive any benefit that is a disincentive for them to
9 disassociate themselves with the corporation on the basis of the corporation’s position on a
10 political issue.”⁶ 11 CFR 114.10(c)(3)(ii).

11 Under your proposal, Working Assets would offer affinity wireless service to supporters
12 of a QNC sponsor, with the accompanying ten percent rebate that could be applied as a credit on
13 the customer’s next bill. Based on your request, the Commission assumes that the service and
14 rebate would be available on the same terms to individuals who are not members of the QNC,
15 and that individuals could continue to be eligible for the service and rebate even after they
16 terminate their membership with the QNC. In light of this, a corporation would not lose its QNC
17 status by becoming a committee sponsor.

18 The Commission expresses no opinion regarding any tax ramifications of the proposed
19 activities because those issues are not within the Commission’s jurisdiction.

⁶ The corporation must also: (1) have as its only express purpose the promotion of political ideas; (2) not engage in business activities; (3) have no shareholders or other persons (other than employees or creditors) who are affiliated in such a way that they could have a claim on the corporation’s assets or earnings; and (4) not be established by a business corporation or labor organization, nor accept donations from such organizations. *See* 11 CFR 114.10(c)(1), (2), (3)(i), and (4).

